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2-19-14
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MP1/JMO/ek4 2/19/2014

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Southern California Edison Company (U338E) for Approval of Greenhouse Gas Cap-and-Trade Program Cost and Revenue Allocation.

Application 13-08-002
(Filed August 1, 2013)

And Related Matters.

Application 13-08-003
Application 13-08-005
Application 13-08-007
Application 13-08-008

**ASSIGNED COMMISSIONER'S AND ADMINISTRATIVE LAW JUDGE'S
PHASE 2 SCOPING MEMO AND RULING**

Pursuant to Rule 7.3(a),¹ this ruling (Phase 2 Scoping Memo) sets forth the procedural schedule and addresses the scope of Phase 2 of these consolidated proceedings.

1. Summary

The Commission is addressing Greenhouse Gas (GHG)-related cost and allowance revenues for all electric utilities in Rulemaking (R.) 11-03-012. As contemplated by R.11-03-012, these consolidated proceedings are intended to approve the utilities' methods for forecasting GHG costs and allowance revenues for 2014, and for forecasting and reconciling GHG costs and allowance revenues

¹ All references to Rules are to the Commission's Rules of Practice and Procedure.

in subsequent years. (*See*, Decision (D.)12-12-033 at 147.) D.12-12-033 directed five investor-owned utilities (IOUs) to submit applications to address these issues for 2014 and future years. The utilities concerned are the three large utilities (Southern California Edison Company (SCE), Pacific Gas and Electric Company (PG&E), and San Diego Gas & Electric Company (SDG&E)) and the two small utilities (PacifiCorp, an Oregon Company (PacifiCorp) and Liberty Utilities (CalPeco Electric) LLC (Liberty)). This Phase 2 Scoping Memo refers to these applications generally as the “GHG Revenue Forecast Applications” and to the applications filed on August 1, 2013 as the “2014 GHG Revenue Forecast Applications.”

2. Background

On October 4, 2013, the assigned Commissioner and assigned Administrative Law Judge (ALJ) issued a Scoping Memo and Ruling (Phase 1 Scoping Memo) creating a Phase 1 and Phase 2 for these consolidated proceedings and setting forth the scope of issues to be resolved in Phase 1. On December 27, 2013, Decision (D.)13-12-041 was issued for Phase 1 of these consolidated proceedings, adopting GHG program costs and allowance revenue forecasts for incorporation into 2014 electricity rates.

On January 10, 2014, as directed by a January 2, 2014 email ruling, parties filed Phase 2 prehearing conference (PHC) statements. The Phase 2 PHC was held on January 14, 2014.

3. Scope of the Proceeding

The purpose of Phase 2 of these consolidated proceedings is to develop and approve the methodologies and conventions to be used going forward for: (1) determining forecast and actual GHG costs and revenues, and (2) truing up of those GHG costs and revenues. During the course of Phase 1, we gained

additional insight into the scope of issues that will need to be resolved in Phase 2. The parties discussed the scope of Phase 2 issues at the January 2014 PHC and noted the importance of keeping accounting requirements consistent with existing practices and practices developed in Energy Recovery Resource Account (ERRA) proceedings.

Based on this, the scope of Phase 2 is as follows:

1. Should a proxy GHG price be used for forecasting GHG allowance costs and revenues? If so, how should the proxy GHG allowance price be calculated?
2. What general methodological guidelines should the utilities follow to forecast total annual GHG costs (direct and indirect costs) and allowance revenues, and should these forecasts be public?
3. How should the utilities true up actual GHG costs and revenues against forecasts and account for differences in future revenue allocations?
4. Do the Confidentiality Protocols promote transparency while ensuring compliance with California Air Resources Board regulations and adequately protecting proprietary utility information? Do the protocols provide an adequate framework to define what types of information should be public?
5. What information should future GHG Revenue and Reconciliation Applications include? For example, does the Supplemental Information Sheet form used in Phase 1 provide sufficient information for evaluation of future forecasts or are additional standardized reporting guidelines necessary?
6. What are the appropriate steps for utilities to seek approval to use or set aside allowance revenue for an energy efficiency or clean energy program?
7. What steps should be taken to ensure that the GHG Revenue and Reconciliation Applications filed in 2014 and

2015 are efficiently and reasonably coordinated with ERRA Forecast Proceedings and Energy Cost Adjustment Clause (ECAC) proceedings?

8. What accounting procedures and rules should each utility follow to report its GHG costs, allowance revenues and compliance instruments inventory? Are there accounting and reporting requirements used or being developed in ERRA or ECAC proceedings that should be adopted in this proceeding? Are the accounting and reporting requirements that have been proposed in this proceeding consistent with the accounting and reporting requirements in the ERRA and ECAC proceedings?
9. What safety considerations are raised by the GHG Revenue and Reconciliation Applications?

4. Joint IOU Proposal; Workshops

In order to facilitate focused discussion and resolution of these issues, the utilities will prepare a proposal covering a subset of the issues identified above. In addition, a workshop will be held to discuss the proposal and the remaining issues.

The Joint Utility Proposal should address the issues in the manner described below. The Joint Utility Proposal should consist of a matrix with short answers to the questions organized to allow comparison between the different utilities and a narrative that explains the proposal in more detail and sets forth the rationale for the proposal.

- (1) Issue 1: Proposed proxy GHG allowance price calculation.
- (2) Issue 2: Proposed general methodological guidelines to forecast total annual GHG costs and allowance revenues.
- (3) Issue 3: Proposed method and procedure for true up.

- (4) Issue 4: Proposed Confidentiality Protocols developed in fall 2013.
- (5) Issue 5: Proposed worksheet form for reporting information in future GHG Revenue and Reconciliation Applications.
- (6) Issue 6: Proposed procedure for utilities to seek approval of energy efficiency or clean energy program set asides. The proposal should reflect Commission guidance in D.12-12-033. (Step 1. Seek and receive approval in relevant proceedings where energy efficiency or clean energy programs are being comprehensively reviewed; Step 2. Use approval to modify GHG revenue balancing account tariff sheets, as necessary, to allow approved funding amounts to be disbursed and recovered; Step 3. Include approved funding amounts in the next, and future, GHG Revenue Reconciliation Applications.)
- (7) Issue 7: If not already addressed above, proposed accounting procedures and rules for reporting GHG costs, allowance revenues and compliance instruments inventory. Indicate if the procedure is already being evaluated or has already been adopted in another proceeding (such as ERRA).

The utilities shall prepare and give presentations at the workshop on each of the issues covered in the Joint Utility Proposal. The utilities shall also coordinate with Energy Division staff to facilitate the workshop and ensure that parties have the opportunity to offer input on the Joint Utility Proposal and the issues not covered by the Joint Utility Proposal.

Following the workshop, the utilities will prepare a revised version of the Joint Utility Proposal and a Workshop Summary. Parties will then have the

opportunity to comment on the post-workshop Joint Utility Proposal in their briefs.

Parties are encouraged to contact the utilities both before and after the workshop to offer input on the content of the Joint Utility Proposal. Parties are also encouraged to work with the utilities to prepare Joint Stipulations regarding the proposals. The Joint Stipulations should be filed on the same day as the Revised Joint Utility Proposal and Workshop Summary.

5. Procedural Schedule

The following schedule is adopted for Phase 2 of the proceeding:

Date	Event
March 25, 2014	Proposed Joint Utility Proposal and Supporting Narrative served
April 8, 2014	All Day Workshop
April 29, 2014	Revised Joint Utility Proposal and Workshop Summary served; Joint stipulations filed
May 6, 2014	Motions for Evidentiary Hearings filed
May 13, 2014	Concurrent Opening Briefs (including Comments on the revised Joint Utility Proposal) filed and served
May 20, 2014	Concurrent Reply Briefs (including Comments on the revised Joint Utility Proposal) filed and served
July 2014	Proposed Decision issued

The Commission is committed to resolving these consolidated proceedings as soon as practicable; we anticipate that the resolution of this proceeding will not exceed 18 months from issuance of this Phase 2 Scoping Memo pursuant to Section 1701.5. The assigned ALJ or Commissioner may alter the schedule for these consolidated proceedings as they see fit.

Decision 13-12-041 requires utilities to file their 2014 GHG Revenue and Reconciliation Applications concurrently with their 2014 ERRA applications. If the procedural schedule above is adopted, some utilities may need to file their 2015 GHG Revenue and Reconciliation Application before a Phase 2 decision is issued. Nonetheless, utilities should file their 2015 GHG Revenue and Reconciliation Application concurrently with their next ERRA or ECAC application.² The utility will then need to file an update to the filed application after the decision issues in Phase 2.

6. *Ex Parte* Rules; Need for Hearings

The Commission's preliminary determination that this is a ratesetting proceeding was confirmed in the Phase 1 Scoping Memo. *Ex parte* communications continue to be governed by Article 8 of the Rules.

It was preliminarily determined that hearings are necessary in this proceeding. D.13-12-041 found that evidentiary hearings were not necessary for Phase 1, but that hearings may be necessary for Phase 2. At the Phase 2 PHC, parties indicated they did not believe hearings would be necessary for Phase 2. Based on this, no evidentiary hearings have been scheduled for Phase 2. Parties may make motions for evidentiary hearings no later than the date set forth in the procedural schedule above.

IT IS RULED that:

1. The scope of these consolidated proceedings is as set forth herein.

² If a utility does not anticipate filing an ERRA forecast or ECAC application in 2014, then the utility is directed to file its next GHG Revenue and Reconciliation Application on August 1, 2014.

2. The utilities will draft a Joint Utility Proposal and coordinate a workshop in the manner described above.
3. The procedural schedule is as set forth herein and may be modified by the assigned Administrative Law Judge or Commissioner if needed.
4. This proceeding continues to be categorized as ratesetting pursuant to Rule 7.1(a).
5. Evidentiary hearings may be necessary.

Dated February 19, 2014, at San Francisco, California.

/s/ MICHAEL R. PEEVEY
Michael R. Peevey
Assigned Commissioner

/s/ JEANNE M. McKINNEY
Jeanne M. McKinney
Administrative Law Judge